

"(B) for the preceding year—

(i) had compensation from the employer
in excess
of \$80,000, and

(ii) if the employer elects the application
of this
clause for such preceding year, was in the
top-paid
group of employees for such preceding year.

The Secretary shall adjust the \$80,000 amount
under subpara-
graph (B) at the same time and in the same manner
as under
section 415(d), except that the base period shall be
the calendar
quarter ending September 30, 1996."

(b) REPEAL OF FAMILY AGGREGATION RULES.—

(1) IN GENERAL.—Paragraph (6) of section 414(q) is
hereby
repealed.

(2) COMPENSATION LIMIT.—Paragraph (17)(A) of
section

401 (a) is amended by striking the last sentence.

(3) DEDUCTION.—Subsection (1) of section 404 is
amended
by striking the last sentence.

(c) CONFORMING AMENDMENTS.—

(1)(A) Subsection (a) of section 414 is
amended by striking
paragraphs (2), (5), and (12) and by
redesignating paragraphs
(3), (4), (7), (8), (9), (10), and (11) as
paragraphs (2) through
(8), respectively.

(2) Sections 129(d)(8)(B), 401(a)(5)(D)(ii), 408(k)(2)

(C), and
416(i)(D)(D) are each amended by striking "section
414(a)(7)"

and inserting "section 414(a)(4)".

(3) Section 416(i)(1)(A) is amended by striking
"section

414(q)(8)" and inserting "section 414(a)(5)".

(4) Subparagraph (A) of section 414(r)(2) is
amended by

striking "subsection (q)(8)" and inserting "subsection
(q)(5)".

(E) Section 414(q)(5), as redesignated by
subparagraph (A),

is amended by striking "under paragraph (4), or
the number
of officers taken into account under paragraph (5)".

(2) Section 1114(c)(4) of the Tax Reform Act of 1986
is 26 USC 414 note.
amended by adding at the end the following new
sentence:

"Any reference in this paragraph to section 414(a)
shall be
treated as a reference to such section as in effect
on the day
before the date of the enactment of the Small
Business
Protection Act of 1996."

(d)

EFFECTIVE DATE.—

26 USC 414 note.

(5) IN GENERAL.—The amendments made by this
section

shall apply to years beginning after December 31, 1996, except that in determining whether an employee is a highly compensated employee for years beginning in 1997, such amendments shall be treated as having been in effect for years beginning in 1996.

(6) FAMILY AGGREGATION.—The amendments made by subsection (b) shall apply to years beginning after December 31, 1996.

SEC. 1432. MODIFICATION OF ADDITIONAL PARTICIPATION REQUIREMENTS.

(a) GENERAL RULE.—Section 401(a)(26)(A) (relating to additional participation requirements) is amended to read as follows:

"(A) IN GENERAL.—In the case of a trust which is a part of a defined benefit plan, such trust shall not constitute a qualified trust under this subsection unless on